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FINANCE-CURRENCY.

SPEECH

OF

HON. ISAAC R. SHERWOOD,

OF OHIO,

IN

THE HOUSE OF REPRESENTATIVES,

MARCH 31, 1874.

There is a proportionate quantity of money requisite to carry on the trade of a country, freely and currently. Want of money in a country reduces the price of that part of its produce which is used in trade. This is another reason why land in such a case will be low, especially where the staple commodity of the country is the immediate produce of the land.—BENJAMIN FRANKLIN.

WASHINGTON:
GOVERNMENT PRINTING OFFICE.
1874.

SPEECH
OF
HON. ISAAC R. SHERWOOD.

The House having under consideration the bill (H. R. No. 1273) entitled "An act to amend the several acts providing a national currency and to establish free banking, and for other purposes"—

Mr. SHERWOOD said:

Mr. SPEAKER: My constituents need more banking facilities and more money, and my convictions are they ought to have both.

First, let me say, I regard the obligation of the Government to redeem the greenback as binding, and I will vote for no measure to either depreciate the value of the greenback or impair the Government credit.

Congress, in 1869, after the lute and cry of the western democrats for repudiation had somewhat subsided, passed an act to strengthen the public credit. This act binds the Government to redeem the greenbacks at the earliest moment practicable.

At present specie redemption is not practicable. It is not even possible. The people, who own the greenbacks, and who are the sole judges of the question of practicability, do not demand it now. The greenback is more popular than ever before, and it holds its value unimpaired amid all the clamors of all its detractors.

Upon all questions affecting the value of money legislation should be conservative. All legislation which disturbs existing values is immoral.

Resumption means contraction, with an inevitable depression of all values. This, at a time of general depression, would be scarcely less than criminal. It would bankrupt one-half the business men of the West and work outrageous injustice to the entire debtor class of the country. I represent that debtor class. Any legislation in the line of contraction appreciates the value of the dollars we have agreed to pay and decreases our chances of earning them. Scarce money and high interest will ruin us. We want cheap interest and easy credits. This stimulates industry, improves the opportunities of those who labor, and hardens our business muscle.

I represent a people whose wealth is to be realized, not by loaning acquired capital, but by developing our resources; a large agricultural constituency that has not yet reached its maximum development, and a commercial city (Toledo) of wonderful activity. We have all the elements of wealth. We want low taxes and cheap credits.

The Government can carry our obligations for 5 and 6 per cent. We cannot assume our share of these obligations less than 10 and 12 per cent. Our policy, therefore, is to let the Government carry our obligations until we become stronger, and give us the benefit of this 4 and 5 per cent. profit. We have tried to pay our debt too rapidly. The people of all sections need rest.

LIMITED FREE BANKING RECOMMENDED.

In providing for increased circulation to accommodate the West and South, I am willing to vote for a clause in this bill fixing a maximum for national-bank circulation, and also to limit said increase to sections lacking their quota of circulation.

The Representatives of the West, I am confident, would consent to make some Eastern State—New York, for instance—the standard for national-bank circulation. If free banking is limited to sections having less than the New York standard, eastern capital seeking profitable investment will be largely drawn to the West and South and invested in banks. I am therefore under conviction that such a measure would afford as prompt and satisfactory relief to the West and South as unlimited free banking. The East, being abundantly supplied with banks, capital, and currency, fears an era of unwholesome speculation from unlimited free banking. For one, I am willing to concede something to this conviction, and will, if opportunity is offered, vote to place such restriction in the bill now under consideration. But with those Representatives who advocate contraction and specie payments as a solution of our ills I take direct issue.

THE INJUSTICE OF CONTRACTION ILLUSTRATED.

Let me illustrate the injustice of contraction.

In May, 1882, I borrow of a money-lender in Hartford, Connecticut, one thousand greenback dollars, payable in five years, at 10 per cent. interest. This so-called \$1,000 was worth the day it was borrowed \$659 in gold. Specie payments are resumed, and in May, 1874, when my note is due, the value of the dollars I borrowed have increased 45 per cent., and beside paying my 10 per cent. interest in gold or its equivalent, I am also compelled to pay this Connecticut money-lender \$311, in gold, for which I have received no value whatever. Do I pay this money justly, or am I cheated by a trick in legislation? Or say that a greenback dollar is worth 90 cents in gold to-day, and I borrow one thousand of these dollars, receiving nine hundred gold dollars in value, payable in one year, at 10 per cent. In the mean time specie payments are resumed, and next April, when my note is due, I am compelled to pay \$1,100 in gold value for the use of nine hundred one year. I am thus swindled out of one hundred, principal, and \$10 interest. That is, I have paid \$200 for the use of \$900 one year, or over 22 per cent.

These cases illustrate the injustice the contractionists would perpetrate upon the entire debtor class of the country. There is no system of business morals or political economy that can successfully defend such a policy. It will not answer now to argue in justification that the credit class was robbed by the legal-tender act when the law was passed. That was a law of necessity, and only defended as a war measure. There is no code of ethics by which the borrower of a gold dollar discharges his moral obligations by paying in a greenback worth 50 cents. The credit class was robbed in 1862, 1863, 1864, and 1865, through the necessities of war, but what can be the pretense to rob the debtor class in 1874, 1875, and 1876?

Nearly every city, town, and corporation in Ohio have contracted debts and negotiated bonds upon a depreciated currency. To elevate the standard of value now is to largely increase these obligations.

Measured by its effects, elevating a depreciated currency is more immoral than depreciating it, because the loss in the first instance falls upon those able to bear it, while in the latter case it strikes down the struggling classes, and by paralyzing trade and manufac-

ture, causes suffering to the laboring poor. The rights of both classes, debtor and credit, are sacred; and Congress has no moral right to increase the obligations of one or impair the obligations of the other.

FREE BANKING INDORSED.

A national free-banking law, with proper guards and checks, cannot depreciate the value of the greenbacks. The Government debt is not increased, nor are additional obligations incurred, by the issue of currency based upon Government bonds already sold.

Again, the money circulation of this country should be divorced as far as possible from the control of a political majority in Congress.

The question of the value of a dollar should not be debated on the stump and decided anew with every ballot. The bill-holder being secured and the value of a dollar fixed, the money supply should be regulated by the immutable laws of trade. Agriculture, commerce, and manufacture should each be the sole judges of its moneyed necessities.

THE GREENBACK THEORY DISCUSSED.

Many practical and experienced financiers are of opinion that the Government should avail itself of the profits of circulation, and that the popular greenback should supplant the national-bank note, making one uniform currency. This is a fascinating theory. It is proposed to take up the three hundred and fifty-four million national-bank notes, issue an equal amount of legal-tenders, and with these notes go into the market and buy Government bonds. This, it is claimed, will reduce the interest on our public debt eighteen millions per year. This apparent saving, however, is somewhat delusive.

The present tax on the circulation of the national banks of 1 per cent. and $\frac{1}{2}$ of 1 per cent. on deposits, and $\frac{1}{2}$ of 1 per cent. on capital stock not invested in Government bonds, realizes the Government about \$7,000,000 yearly, and State taxation, not far from ten millions more, or an aggregate of nearly if not quite seventeen millions. If there are inequalities in the present system, let us regulate that by legislation. But I am thoroughly fortified in the conviction that it is better economy to allow the bankers of the country to do the banking for the people than to establish a monopoly of banking at the national capital. I believe sections now demanding more currency can be better accommodated locally by banks than by a central system; and the amount of currency needed can be better determined and more safely regulated by the demands of business than by a political majority in Congress.

OUR MONETARY SYSTEM DISCUSSED.

Much is read and said here by those who desire a contraction of the currency about our gross violation of the laws of political economy. Let us examine this matter with due deference.

The Government of the United States has undertaken the critical duty of supplying the moneyed necessities of the people. It has, by imposing excessive taxes upon State banks, driven them out of existence, and to-day the money supply of this country is a monopoly.

For the past five years we have been increasing and extending the business of the country with marvelous rapidity; at the same time we have been withdrawing our money supply. This precipitated a panic, with immense loss of property and general paralysis of trade.

Now, what is the remedy? I believe it lies in supplying the element, the lack of which produced the panic. Others argue that a continuance of the cause which produced the panic will work its cure.

Here we join issue. Bleeding is not proscribed by physicians for debility in the patient caused by the loss of blood. The money circulation of a country is like the blood circulation of the individual. In order to promote a wholesome life and a healthful activity, it must not only be sufficient in quality and quantity, but it must permeate and penetrate the remotest extremities of being.

THE FUNCTIONS OF MONEY.

What is this vital element called money, and what are its functions? Money is but a generalized agent for the exchange of values. Its potential requisites are: first, absolute solvency; second, universal recognition of its value. Our present currency is solvent. It has the complete confidence of the entire business world; but it is not equitably diffused, nor is it sufficient in volume to perform all its functions.

INEQUALITIES OF OUR SYSTEM.

Look at our condition in the West. Ohio is not the worst sufferer, and yet the lack of currency there is most seriously felt. We have credit, capital, magnificent agricultural resources, immense mineral deposits of coal and iron, central location, with markets in every direction, yet we have not adequate banking facilities. Our State banks are taxed out of existence. The General Government declines to aid us, and we are in the grasp of a money monopoly.

I have now letters from parties in Toledo, a city that is in need of more banks, asking me to secure them currency for a national bank. The Government bonds are ready to deposit. These bonds are worth more than their face value in gold in all the markets of this country and Europe, and yet this currency cannot be supplied even at the rate of 90 per cent. Applied to the Comptroller of the Currency to secure some currency from national banks that have wound up; but this currency cannot be had. It is in the hands of New York brokers, and is offered at 5 per cent. premium.

Now, suppose my Toledo friends, having read the able arguments delivered here upon the evils of our present system, desire to bank on a gold basis. They therefore sell their bonds for gold, and attempt to bank under the State laws of Ohio. Here comes your 10 per cent. tax and drives them out of the field. My constituents are therefore practically prohibited from banking under either State or national laws. Their only privilege is to borrow money of eastern money-lenders at exorbitant rates of interest, which they are now doing. They are compelled to contribute a large share of the profits of their business to eastern capitalists.

There is no defense for such a system as this. It is an outrageous oppression. The Eastern States have an excess of circulation of national-bank currency of over \$80,000,000. Ohio has a deficiency of \$1,500,456, and Illinois a deficiency of \$6,337,221; Massachusetts alone has an excess of \$40,000,000; and even the little State of Rhode Island has an excess of \$10,635,793. The city of Providence, Rhode Island, has a national-bank circulation of \$9,483,710; while the city of Toledo, Ohio, a city with an immense jobbing trade and a great commercial mart, has but \$1,337,400. Hartford, Connecticut, a finished town, with 37,150 inhabitants, owns \$4,455,700 of national-bank circulation; while Milwaukee, the metropolis of Wisconsin, with over 71,000 population, has only \$611,500. The little town of Fall River, Massachusetts, has nearly two millions of this circulation, while Lawrence, Kansas, has but \$151,500.

Take two States, Ohio and Connecticut. Ohio is only authorized

to issue \$39,818,953 of this currency, Connecticut issues \$33,047,632; and yet Ohio has three times the property and five times the population of Connecticut. I submit a comparison, as shown by the census of 1870:

Items.	Connecticut.	Ohio.
Population	537,454	2,665,960
Engaged in agriculture	43,963	397,024
In trade and transportation	54,739	78,547
Mechanical and mining	86,344	197,010
Professional and personal	38,704	168,308
Valuation of property	\$747,621,104	\$2,925,430,390
Taxation	\$6,061,843	\$23,530,548

The six New England States, with a population of 3,457,924, with a property valuation of \$4,009,875,247, have a circulation of \$110,459,946, while the twenty-three Western and Southern States, with a population of 24,217,341, with a property valuation of \$12,770,112,653, have a circulation of only \$111,409,156.

The Representatives of various constituencies who advocate the equitable rights of their section are denounced as republicans, or as too ignorant to comprehend the complex science of finance.

PUBLIC SENTIMENT IN OHIO.

It is claimed also that public sentiment, even in the West, is against more currency. I venture the opinion that four-fifths of all the active business men of Ohio favor more currency. I am confident such is the case in Northwestern Ohio, my own section.

During the progress of this debate all history has been ransacked by contractionists for evidence to fortify their positions. All the obscure pamphleteers of the last century, whose works have drifted down through cheap auctions to the Congressional Library have been dusted out and doctored, and brought to the front. I have no objection to this resurrection of these dead voices; but in the light of the experience, knowledge, genius, and practical statesmanship of to-day, why should we seek oracles of obscure tombstones?

We have learned something of transportation since Moses traveled for forty years in the wilderness. We have learned something of electricity since Franklin touched the womb of the lightning, and I believe we have learned something of government and finance since George III and Adam Smith.

McCallough, in his able contribution to the Encyclopedia Britannica, in speaking of Adam Smith, and other writers so often quoted here, says:

The opinions and theories of the eminent professors who have written on political economy have impeded the progress of the science, and created a popular distrust in its established conclusions.

Serene in the consciousness of this distrust, I desire to present the views of some living practical financiers of my own State.

First, I submit a letter from one of the most successful business men in Ohio, a gentleman who has done more than any other man to develop the iron and coal industries of the State; a gentleman who has never read Ricardo or Adam Smith, but who has absorbed some very sound political economy in a long and successful business career:

TOLEDO, OHIO, March 7, 1874.

DEAR SIR: I think common sense and business principles will apply to the management of the national affairs as it would to a man's own business operations.

In the first place, the present government have been taxed heavily to put down the rebellion; they should not be taxed to pay the present debt.

Let the Government fund the debt long loan fifty to sixty years at 4 to 5 per cent, pay it when we have increased in population to an extent that I dare not name. Give us a free-banking law. The people are constantly talking about railroad monopolies; there are no monopolies in this country equal to the present banking monopoly.

What have the special few done that the Government should bestow extraordinary privileges upon them, receive their bonds, keep them safe, pay them the interest upon them, and then give them 90 per cent. of circulation to loan the business community at high interest? Money is too scarce and dear for business purposes. Money should not be worth more than 6 to 7 per cent. We want cheap money instead of pauper labor.

If I can make money or am better satisfied to bank than to mine coal or make pig-iron, I want the Government to extend to me the privilege they do to my neighbors, on the same terms and with the same restrictions.

I believe the low rate of interest bonds, convertible when the holder wanted to use money for a special purpose, would work well.

The South had none of our money in 1864. Since then four million negroes have been freed, and have to be paid for their labor, and large amounts of money are required to do their business operations.

We have seventy thousand miles of railroad as against twenty thousand a few years ago, population increased ten to fifteen millions within a few years, are mining four times as much coal, and making four times as much iron.

The seventy thousand miles of railroad available with people with a large amount of money in their pockets to pay traveling expenses.

Now, what are we asked to do? Simply this: with large increase and growing business, to manage proportionately with less than one-half the money we had a few years ago. It is simply ridiculous, and is not governed by any business principles. We should have money in proportion to growth of business and population.

Money may be plenty in New York, but it is not in Ohio. Our manufactures and mining are paralyzed.

Give us less taxes and more money and our own market, that we may live within ourselves for a few years, and we will be able to pay the debt and not feel it.

Yours, very respectfully,

C. H. ANDREWS.

General I. R. SHERWOOD,
Washington, D. C.

Also, a letter from the editor of the Western Reserve Chronicle, one of the oldest and ablest papers of the Connecticut Reserve of Ohio, supplemented with some comments by the Cleveland Herald. I do this for two reasons: first, to indicate popular feeling in the richest and most densely populated region of the State; secondly, to show Connecticut theorists how their brothers "to the manner born" expand and develop and liberalize when transplanted to the broad hill-tops and inviting valleys of Ohio:

WARREN, OHIO, February 14, 1874.

DEAR FRIEND: I fear of no one demanding or desiring resumption, save bankers, bondholders, and perhaps persons of large cash means, who hope, of course, to enlarge the purchasing power of their mind by the shrinkage of values resulting from resumption and contraction. I think the general desire of the producing, manufacturing, mercantile, and ordinary business classes is for more rather than less of the greenback currency. I believe the article inclosed, copied into and favorably commented on by the Cleveland Herald of a recent date, reflects the sentiment of this region. I submit it to you as giving in my opinion a fair reflex of the mind of a large majority of the people of Ohio.

WILLIAM RITZEL.

Hon. I. R. SHERWOOD,
Washington, D. C.

The following is the article from the Cleveland Herald, referred to by Mr. Ritzel:

The Specie Hobby.—Under that head the Warren (Trumbull County) Chronicle holds a very sensible editorial talk with its readers; a talk that should be overheard by Congressmen. Great commercial centers, so called, have more influence at Washington than their relative importance entitles them to, and much more influence than their measure of sound, practical, business common sense entitles them to. The men at these great centers are enabled to concentrate instantly an amount of strength that is denied the country, while the visions of such men are very narrow and their ideas of cause and effect extend only to the curb-stone of their own stock market. The Chronicle says:

"Senators and Representatives with whom specie payment is a specialty misapprehend public sentiment. If in their efforts to contract our circulating medium they imagine that the people are in the least out of patience because Congress does not proceed 'to fulfill their promises to the people to make greenbacks redeemable in gold.' It is surprising to observe with what desperate tenacity some of our lawmakers cling to financial theories exploded by the test of practical experience. These gentlemen appear to think that there is some occult, omnipotent virtue in a specie dollar for which the people are hungering and thirsting, and, if not furnished soon, will die of pecuniary starvation. Probably if Congressmen mingled more with the masses, to learn their views and ascertain the popular demands and necessities, instead of consorting almost exclusively with bankers and bondholders, and importers of foreign manufactures, they would more truly represent their constituencies on this important question than they do."

The Chronicle then briefly reviews the last dozen years, and points to the fact of our unparalleled prosperity under the legal-tender issue; how that feature of finance was assailed, how triumphantly it demonstrated its benefits. And how the Chronicle goes on thus:

"The fact is that the people are perfectly satisfied with the present currency, and do not demand a resumption of specie payments or a contraction of circulating medium. We aver without fear of successful contradiction that a petition in favor of a reasonable increase of currency or greenbacks can be circulated through General CLEVELAND's congressional district, and through all the district north of the national road—supposed to be more especially represented by Senator SHERMAN—and ninety-nine hundredths of the people will petition for more greenbacks."

We believe we speak from the mouth and hearts of the people, and reflect the views of the manufacturing, trading, and producing classes generally, who are the bone and sinew of the country."

ELEMENTS TO BE CONSIDERED IN FIXING VOLUME OF CURRENCY.

The demands of currency are regulated, first, by the character and amount of business transactions; secondly, by the average earnings *per capita* of the producing classes; thirdly, by the solidity or density of population.

To the first proposition it can be pleaded that the people of this country in proportion to population average more general employment than those of either France, Germany, or England. We have fewer paupers, fewer criminals, fewer non-producers, and no large standing armies. The average earnings *per capita* are more than double those of either England, France, or the German Empire. In density of population we have an average of but two hundred and seventy-two persons to the square mile, while England has about five thousand, the German Empire over four thousand, and France over three thousand. It is evident that sparsely settled regions and sections remote from banks need more currency *per capita* than regions densely populated. This is a self-evident proposition.

The statement that our currency is excessive as compared with other leading nations is found to be erroneous.

The following table, showing the total currency volume in England, Germany, France, and the United States, throws a flood of light upon this statement:

Total currency volume of the United States.....	\$609,000,000
Less gold and paper reserves.....	300,000,000
Total actual circulation.....	609,000,000
Circulation <i>per capita</i>	16 72
Total currency volume of England.....	884,943,000
Less reserves.....	112,259,000
Total actual circulation.....	772,684,000
Circulation <i>per capita</i>	24 22
Total currency volume of Germany.....	1,286,000,000
Less reserve.....	345,000,000
Total actual circulation.....	1,091,000,000
Circulation <i>per capita</i>	39 80

Total currency volume of France.....	\$1,650,000,000
Less gold and silver reserve in bank.....	540,000,000
Total actual circulation.....	1,110,000,000
Circulation per capita.....	\$4.72

It is seen that our currency is eight dollars *per capita* less than England, ten dollars less than Germany, and eighteen dollars less than France.

RESUMPTION NOT PRACTICABLE NOW.

I desire to call the attention of the contractionists who think gold is now cheap enough to resume to an editorial in the London Economist of October last. When this article was written gold was at a premium of 10 per cent.

We know by experience how that premium may be effaced. If no more greenbacks are issued, the augmenting trade of the country will of itself raise the value of the paper; but this is a severe and painful process. Conducting a large trade with an identical currency is the same as conducting an equal trade with a diminished currency. In both cases there is dear money; that is, a high rate of interest and a lowered scale of prices; people have to pay more for what they borrow and receive less for what they sell, and the consequent suffering to trade is always considerable. It can be borne by America, we know, for she has already borne it; she has already reduced the premium on gold by a much larger amount than that which remains to be reduced, but therefore has been great, and *this pain is in great part in consequence of it.* Nor are our second or third conditions satisfied. The store of gold now held by the American Government is altogether inadequate to the resumption of cash payments, and the premium on gold must in our judgment be still further reduced before specie payments can be safely recommenced.

Let our book economists who fortify themselves with English authority in finance digest the three objections just presented. Let these impracticables study the situation *as it is* rather than as it ought to be, and they will discover that their theories have no application now, and that their principles have neither basis nor vitality. The greenback must remain our only currency until increased prosperity and renewed national life with enlarged revenues shall have enabled us to cancel our foreign indebtedness, and the flow of the precious metals shall be to us and not from us. This is the work of time under the most prosperous days and wholesome laws. At present, with our industries crippled, our trade paralyzed, and so much labor unemployed, the first business should be to restore confidence.

THE FARMERS' INTEREST.

Hon. Amasa Walker has sent some Boston logic to the president of the Illinois State grange, repeating the oft-explored theory that it is the farmers of the West who are suffering most by the so-called inflated or depreciated currency. Mr. Walker recapitulates how the farmers suffer, as follows:

First. From the low or gold prices of their own products, and the high or currency products of all other commodities.
Second. By the larger profits and higher taxes they are compelled to pay.
For all these there is no remedy but the restoration of the standard of value by a return to specie payments.

This Massachusetts book economist is completely refuted by the practical Massachusetts financier who now occupies a seat in the Senate. I quote from Mr. BOWEN'S speech on finance delivered in the Senate January 22, 1874:

I mean to say, that if the currency of the country be so depreciated, and if it be held at a particular point for so long a time that the business of the country, the prices of labor, and the products of labor shall have become accommodated to the existing condition of things, then there are no substantial evils. The proposition is, that in consequence of a depreciated currency, the farmers of the West, whose products in whole or in part are exported to foreign countries, where

the currency is coin, are in a worse condition relatively than they would be if the currency of this country were coin. If, as an example, you consider wheat, which is a great product of the West, you may assume, as a fundamental proposition in regard to its price, that it can never be less at any point in this country than then the price of a bushel of wheat at Saint Louis, measured in coin, the currency of England, is less than the price measured in coin at Liverpool by the cost of the transportation there, and only by that, and that entirely independent of the fact as to the depreciation of our own currency. For our own present purpose we deal in the cost of transporting it there, profits and all, be ten pence, it is worth forty pence in coin at Saint Louis; and it is worth that because a party in Saint Louis can send it to Liverpool and can get his coin in Liverpool, and after paying all expenses he will have forty pence in hand for his bushel of wheat.

Now, if this person wishes to buy sugar or coffee in return, he can buy his sugar or his coffee with coin in the markets of exportation; and if the cost of a pound of sugar in coin laid down in Saint Louis, brought from Havana and paid for in coin, is ten cents, he has established the relation between his product exported and the necessities of life imported, and that upon a coin basis. To what the man sells, measured in coin, is added in currency the difference between coin and currency in commercial value, and to what he buys is added the difference between coin and currency in their commercial value; and he neither loses nor gains by the process.

The argument of the erudite Walker can be answered briefly. If the farmer sells his grain for gold on a gold basis, of course he realizes gold or gold value. If he buys his goods for depreciated paper, at an enhanced price because of the depreciated paper, he realizes the difference in price by the premium on his gold before he makes his purchases.

By the argument of the so-called political economists we are led to believe that the legitimate market for the surplus products of the western farmer is England, and that he is dependent for his articles of consumption upon the importers. It can be demonstrated that a comparatively small portion of the grain crop of the West finds its way to English marts, and articles imported are principally luxuries not consumed by western farmers.

Statistics show that Great Britain raises five-eighths of all the cereals she consumes, leaving three-eighths to be drawn from foreign soil. What proportion of this three-eighths is supplied by the United States? It is stated by competent authority that our grain export for 1872 was the largest in the decade. In that year we exported to Great Britain in wheat, rye, oats, and barley 26,343,951 bushels. The shortage of the grain crop in Great Britain that year was 126,000,000 bushels. Thus it will be seen that we supplied England with about 14 per cent. of her shortage.

The grain crop of Ohio in 1872 was over 150,000,000 bushels, or sufficient to supply the entire export trade to Great Britain for six years; and Ohio is not the greatest grain-producing State.

The aggregate grain crop of the grain-growing States in 1872 was 1,777,847,000 bushels. But 26,000,000 of this immense product was sold for the coveted British gold, or less than 14 per cent. When we consider these statistics we are better prepared to estimate the audacity of the assumption that the farmers of the West are dependent upon Great Britain, either to make a market or fix the market price of their products.

If the price of wheat in the West is regulated by the price in Liverpool, as the book economists all teach us, how is it that last August, when wheat in Chicago from the 6th to the 28th of September fell 30 cents *per bushel*, the price of wheat in Liverpool advanced during the same period, to wit, from 11s. 10d. to 12s. 6d. *per hundred-weight*, September 6 to 12s. 7d. to 12s. 9d. *per hundred-weight* September 26.

As these statistics, drawn from the market reports, fail to fortify the theory of the book economists, I may be allowed to say that it was probably owing to the fact that the greenback, which serves the admirable purpose of moving the crops, was locked up in the vaults of the panic-stricken banks of New York. It was owing to our eastern system of finance, that could not convert a gold bond into a currency promise, even to save the nation from bankruptcy.

By the failure to secure greenbacks to move the crops to market before close of navigation the farmers of the West suffered a loss greater than the value of the entire grain export to Great Britain. The bulk of the western grain crop of 1873 was marketed below the cost of production. The high rates of interest paid yearly by western grain buyers to eastern banks for currency is so much deducted from the price of grain. This is the farmer's forced contribution to the eastern monopoly of money.

Here I desire to quote from a petition sent to the Senate and House by 200 business men of New York, and presented in the Senate by Senator LOGAN on the 17th of March:

The experience of the last few years, especially in the fall, when the agricultural products of the year must be marketed, has demonstrated that there is insufficient currency to do the legitimate business of the country. Hence there has been increasing stringency in the market, causing great distress and alarm, by which money-lenders have been able to profit for weeks and months to the extent of 1 to 1 1/2 per cent. per day, and in extreme cases even as high as 2 per cent. per cent. This has enabled a few men at such times, by locking up money to aggravate the difficulty, and thus command their own terms, not a few of whom are now asking your honorable body to contract the currency that they may more effectively ply their infamous traffic.

These causes produced the late disastrous and ruinous panic, which will undoubtedly be reproduced with still more prostrating effects unless relief be afforded. Your petitioners therefore respectfully ask that the volume of the currency be increased, especially the legal-tenders, and that provision of elasticity be made, so that business may again be safely resumed.

Western farmers will not be humbugged with the idea that contraction and more squeezing is what they need. Neither will they be deluded by the ingenious sophistries of those learned economists, on the beatitudes of selling high at home and buying cheap abroad.

POLITICAL ECONOMISTS REVIEWED.

If we admit that the eminent scholars and patrons of English nobility, who have fortified the English system with their speculations, thoroughly understood the subject of finance, we have but one duty to perform: bend all the energies of legislation to secure enough of the gold of King Solomon to say to every emaciated greenback "Thy redeemer liveth."

But while recognizing the fact that political economy is a science, we do not thereby admit that the celebrated Englishmen thoroughly understood it. Political economy is the sciences of the laws that regulate the production, distribution, and consumption of the products of industry, called wealth. Political economy is not the science of speculation, but of fact and experiment. The political economy of the books assumes that no medium for the exchange of commodities or values is competent to produce wealth, but some substance which of itself has value. It is argued that the greenback is a mere promise to pay money; that it only represents debt.

A distinguished Senator defines a greenback to be

A mendicant, which the Government quarters upon its creditors in times of peace, simply by assuring them that when they meet a creditor they may in turn transfer the mendicant upon him.

John Stuart Mill says:

Paper currency is not money, because it is not a legal tender and does not close transactions.

The same author, in the same chapter, says:

Bills of exchange and checks circulate as money and perform all the functions of money.

These are remarkable distinctions without a difference.

The paper currency described by Mill is based upon the assumption that the holder of the note can obtain the gold by presenting it at the bank of issue; the bill of exchange assumes that the holder may obtain the gold by presenting it where payable. And yet, according to Mill, the one performs all the functions of money, and the other does not.

Amasa Walker, in his *Wealth of Nations*, says:

Our legal-tender money transfers debts, but cannot pay them. The creditor may accept the promises of the Government in place of that of an individual, but he receives no value.

Mann, in his admirable work on *Paper Money*, says this statement is erroneous, in not recognizing the vital fact that "such notes are as much money in the United States as gold in other countries."

Money derives its force from common consent. If men or governments choose to coin credits instead of gold, and this credit performs all the functions of money, it is as potent to discharge debt and to produce wealth as coined gold. The same remarkable Walker, just referred to, puts a perfect nightmare of statistics into column to prove that when money is plenty interest is high. Consequently scarce money means cheap interest. On this theory a short apple crop means cheap cider, and the hog cholera is the forerunner of cheap hams. If the grangers can only be made to see it, the true solution of the cheap transportation problem is to make a bonfire of about half the freight-cars on our railroads, thereby reducing the freight tariff 50 per cent.

Whether we denounce the greenback as a mendicant or renounce it as a dishonored promise, it was a potent element in war, and is to-day the great mainspring moving all the machinery of Government. As an element of civilization it has taught us that there are other elements than gold and silver by which the affairs of men and nations may be conducted. And it is bound to stay with us in defiance of all the economies of all the Englishmen. Our own country, in war and peace, for the past ten years has been conducted in defiance of every principle of military strategy and political economy laid down by the books. In war the most successful and brilliant military achievements were in direct violation of all military book strategy. Grant's campaign against Vicksburg, and Sherman's campaign from Rocky Face to Savannah, were both in opposition to military precedents. In peace we have been operating under an exclusively paper currency, and depreciated at that. This, according to the books, is fatal. We have been operating under a protective tariff, which, according to the English economies, is fatal; and yet we have flourished under both.

After Grant had taken Vicksburg, and "Sherman had marched to the sea," after the iron-clad Monitor had met the Merrimack in Hampton Roads, what were all the books on military and naval strategy worth? And to-day, after ten years of substantial and healthful growth in invention, in manufactures, in material wealth, in population, in moral grandeur, what do all the books of all the Englishmen amount to?

The Declaration of Independence was not written in accordance with English precedent; and when the young Republic was started, as a feeble contribution to a new system of political economy, there was no celebrated Englishman to give it a send-off, or a god-send, with a book. And to-day, with nearly a century of successful history behind us—a century born the year Adam Smith sent into the world his *Wealth of Nations*—how marvelous it is that not one Englishman has fortified the Republic with a book. And yet we have not seriously felt the loss.

INCONSISTENCY OF THE CONTRACTIONISTS.

By the way, how is it that the political economists on this floor and elsewhere, who are for nothing but gold dollars, are also for a protective tariff? The celebrated Englishmen who have furnished so many ready-made economies are much clearer and stronger on the free-trade doctrine than on the functions of money and the science of finance. How is it that this concentration of English brain for one hundred years, demonstrating the fallacy of protection has failed to carry conviction, while the many loose and disjointed dissertations on the science of finance have made such an overwhelming conviction? It seems to me the argument for contraction is only fortified by the interest of a section, and does not embrace the theory of the greatest good for all sections.

WHAT PAPER MONEY HAS DONE.

The past ten years, during which we have violated so much political economy, has been the most prosperous decade in our brief history of history. In these ten years—nearly one-half of which were desolate with the havoc of civil war—the aggregate wealth of the country has almost doubled.

By the Federal census of 1850 we were worth in round numbers a trifle over \$16,000,000,000; in 1870 we were worth over \$30,000,000,000. In the decade our export trade increased over 60 per cent., our manufacturing capital over 100 per cent., and the value of manufactured articles over 140 per cent. All this, notwithstanding the immense destruction of property by civil war, valued at eight thousand millions, slave property valued at twelve hundred millions, the killing and maiming of a million men, the payment for an average period of three years of over one million men—not to produce wealth, but to destroy it—the payment of immense bounties and pensions, paying the interest on our bonded debt, paying over three hundred and fifty millions of the principal and sustaining taxation as no new nation was ever taxed before. The result is as marvelous as it is magnificent.

What is the secret of this, the grandest contribution thus far in the history of civilization to that great science of political economy? The secret is this. We are a nation of immense resources. The Government has extended to all her children her generous credit. With this credit the genius, the wonderful activity, and the invincible energy of the American people have had full swing. With this credit we have dug coal, smelted iron ores, fashioned the metals, fabricated the machines, built towns and cities, and gilded the land with thriving and busy industries. With this credit we have cordoned the land with railroads, made populous States of prairies and forests, and empires of States. This progress has been healthful, this development has been substantial, this wealth is tangible. It has been a Pacific States, a dollar of gold, the so-called currency of the world, in circulation. The greenback, now so fiercely denounced upon this floor and elsewhere, was our only currency.

How could we grow so in defiance of all the theories of all the Englishmen who have incubated so laboriously so many political economies? How dare we prosper so in the face of the great fact that gold, the only measure of value, had left the young Republic like a coward, and hid its face for an entire decade among the monarchies?

All the political economists say that paper currency always depreciates in value, and yet our currency is worth more to-day in the midst of a panic than ever before. All the political economists say that a paper currency once issued, the tendency to inflation cannot be reversed; and yet since 1865 we have reduced the volume of our currency over four hundred millions.

PAPER MONEY OF REVOLUTIONARY GOVERNMENTS.

The French *assignats*, the continental money of the Revolution, and confederate scrip, are cited as evidence that money issued upon credit must eventually collapse. The French *assignats*, issued upon the confiscated property of the church, were the offspring of the French revolution. They depreciated when the Austrian and Prussian veterans prepared to cross the French frontier; and when England joined the alliance, of course they went down. The continental money of the American Revolution was born of necessity, and utterly failed because it was fortified with no central government, and represented no property. The confederate money never promised to pay anything until six months after the treaty of peace, and the treaty of peace has not yet been signed.

The John Law schemes and the South Sea Island bubbles that are injected into this discussion to illustrate the ultimate collapse of our greenback currency, are not even respectable scarecrows.

The greenback is fortified by all the powers of a strong central Government, and its redemption is pledged by the united property and resources of forty million people with over thirty billions of realized wealth. The greenback has been the most potent element in the march of empire, and the voice that seeks to dishonor it is inspired by the sordid greed of those who would speculate upon the misfortunes of their countrymen.

The abuses to which paper money has been subjected in times past by revolutionary and unstable governments is brought forward now as an argument against the greenback. Because the issue of paper money is liable to abuse, is not a wholesome objection to our system. The power of the people to make laws through Congress often leads to unwholesome legislation; yet this is no valid argument against a republic.

MONEY PANIC CONSIDERED.

If there had never been a money panic before the advent of the "greenback," the present howl and scowl of the book economists would be better heeded.

Adam Smith, in his *Wealth of Nations*, in commending a system of banking based upon gold, says of the Bank of Amsterdam, which failed soon after the book was published:

At Amsterdam no point of faith is better established than that for every guilder circulated as bank money there is a corresponding guilder of gold or silver to be found in the treasures of the bank.

When Adam Smith wrote this the bank which he commended, and whose system of political economy he indorsed, had been in a bankrupt condition for fifty years. The deposits of the bank in 1775, four years before it failed, and at the time Adam Smith wrote, amounted to thirty-five millions and its annual business was four thousand millions.

If Adam Smith were living in this age of newspaper audacity, and had ever commended Jay Cooke's system of banks, whose failure has not entailed a tithe of the loss and suffering caused by the failure of the Bank of Amsterdam, he would now be quoted as a profound seer—dred rather than as a profound thinker or political economist. There were more bank failures in this country under the old system based upon gold than bank-note reporters could record, and the power to detect wild-cat and counterfeit money was an important feature in a business man's education; and there was never a decade without a panic.

ENGLAND'S SYSTEM DISCUSSED.

The English system of finance is held up here by the contractionists as a model. And yet England had panics in 1754, in 1793, in 1810, in 1819, in 1825, in 1847, in 1857, in 1862, and in 1896. Still, it is no fair criterion to compare this nation with England. England is a credit nation; we are a debtor nation. The wealth of England is realized; ours is hidden in soil and mine, and is to be developed. England has been full of gold for two centuries, and is constantly augmenting her supply from Australia, South America, and the United States; we are constantly parting with our already meager supply to pay our debts.

Until recently England made iron for half the world, and for nearly a century she enjoyed almost a monopoly in manufacture. During all the period of her war with France, from 1793 to 1815, England preserved the mastery of the seas, and during all that time she supplied the continent of Europe with her manufactured articles. We must not forget that about this time science and engineering were just coming to the front, with the steam-engine, the spinning-jenny, and the power-loom. These inventions, so successfully applied, gave England a mastery over all the nations of the Continent that defied both fate and fortune. She had within her reach the raw cotton of America, the flax of Russia, the sugar and coffee of the West Indies, and the rich commerce of the exhaustless East. She had her American, her African, her Australian, her Asiatic empires, all contributing to her wealth, all pouring gold and treasures into her lap.

Mark the contrast between England in 1819 and our own country now. During the last decade our gold supply has been rapidly depreciating. During the decade from 1863 to 1872 we have exported \$686,752,273 in gold and silver, and imported but \$160,709,492. With seven hundred and fifty millions of paper money and about one hundred and forty millions of gold in the country, it is proposed to resume in times of general confidence would be impolitic. To attempt it in time of a panic, is criminal folly.

The wise men of the East who are for specie payments now or nothing, claim that a demand for gold here will draw gold from other nations, and that, if necessary, we can realize gold from the sale of Government bonds. Two bills have been introduced in the Senate, proposing that the Government borrow gold in the markets of the world to redeem our greenbacks. The advocates of this remarkable scheme are reminded by Senator BOYCE, that it is entirely impracticable. I quote from a late speech of that Senator:

When the negotiations were going on in London for the sale of the largest amount of United States bonds that has ever been sold there at one time, it was foreseen by the Bank of England that a quantity of coin would accumulate as the proceeds of these bonds to the credit of the United States. As a matter of fact there was an accumulation of about \$21,000,000. The Bank of England, foreseeing that there would be an accumulation of coin to the credit of the United States which might be taken away bodily in specie, gave notice to the officers of the Treasury Department

of the United States that the power of that institution would be arrayed against the whole proceeding unless we gave a pledge that the coin should not be removed, in the hands of the United States as they were offered, and that we would reconvert it in the hands of the United States as they were offered, and that we would reconvert it in the hands of the United States as they were offered, and that we would reconvert it in the hands of the United States as they were offered.

There is another fact, known to all. We recovered at Geneva an award against several classes of Great Britain induced the government to interpose, and by diplomatic arrangements through the State Department here, operating upon the Treasury Department, secured the transfer of securities and thus avoided the transfer of coin. In the presence of these facts, it is to be assumed for a moment that we can go into the markets of the world and purchase coin with which we can redeem our two, three, or four million outstanding legal-tender notes?

The objections so clearly and forcibly presented by the late Secretary of the Treasury are insurmountable. The proposition is not worthy of serious consideration.

THE EFFECT OF SPECIE RESUMPTION IN ENGLAND.

What was the result of specie resumption in England; notwithstanding her ample preparation for the event and her abundant treasures of the precious metals? I read from Donbley's Financial History of England:

The currency bill of 1819 (Peel's bill to restore cash payments) was passed at the instance of a committee among whom were all the parliamentary dabblers in political economy, of whom Peel was chairman. Horner, chairman of the bullion committee of 1810, was dead; but in his stead they had Ricardo, a rich few stock-jobber who having made an immense fortune by the worst species of gambling, had also contrived to obtain a reputation by the publication of some books on political economy. Peel was plucked upon for this unfortunate service mainly because he was a young man of aspiring pretensions and vast wealth.

Let us inquire how England was affected by resumption of specie payments. I quote from Donbley's Financial History of England in describing the situation the year after specie payments were resumed:

The distress, ruin, and bankruptcy which now took place were universal, affecting both the great interests of land and trade. In hundreds of cases from the tremendous reduction in the price of land, the estates barely sold for as much as would pay off the mortgages, and hence the owners were stripped of all and made beggars. The tables of both houses of Parliament were loaded with petitions detailing scenes of hardship and destitution appalling in the extreme.

It was an era of suffering, destitution, and crime, and the whole land was one scene of confusion, dismay, and bankruptcy. The price of grain went on slowly and progressively falling for a decade, when, in 1828, wheat was selling for four shillings a bushel. Prices were so low that in 1828, wheat was selling for half a century before, and agricultural distress pervaded the land from one end to the other.

From the effects of this first decade of destitution and suffering, which the attempt at specie resumption precipitated in 1821, the laboring and struggling classes in England have never recovered. Her industrial classes have been kept always on the verge of want. Pauperism and crime have increased, and are increasing with appalling rapidity, while the waste is tolling in huge masses controlled by a few land of diffused wealth, it has been metamorphosed into a land of criminals and discontented paupers, lorded over by gigantic moneyed aristocrats. Thirty thousand people owed all the land of England, and one hundred and fifty men and women owned half.

Ruskin, in one of his late lectures, says: Though England is decked with spinning-wheels, her people have not clothes; though she is black with digging of fuel, her people die of cold; though she has sold her soul for gain, yet they die of hunger.

Before we take England for illustration let us look further into the statistics.

The Bank of England resumed specie payments in May, 1821, under the act of 1819, (Peel's bill.) One year before specie payments were resumed the Bank of England notes were only depreciated about 2½ per cent. The bank held in its vaults £11,862,000 in gold to redeem its notes, at a time, too, when there was this 50 per cent. of gold to as a commodity as at this time, this amount was found insufficient; was the result. This was only stayed by the Bank of England issuing £5,000,000 (equal to \$25,000,000) of bank-notes in excess of its charter allowance. McLeod, in his work on Banking, says:

Had not this policy been pursued an entire destruction of commercial credits would have been the result.

Our own disastrous panic could doubtless have been averted by the issue of even one-half the forty-four million reserve; but I am not discussing that question now.

Again, in England in 1837, after President Jackson had refused to sign the charter for the renewal of the United States Bank, and laws were enacted for cash banking by the States, there was a drain of coin from the vaults of the Bank of England, which caused a panic in England, in which all the great commercial houses in trade with the United States were swept away. The drain of the precious metals was not only felt in England but all over the Continent. In 1838 and 1839 this drain was so aggravated in England, that she was compelled to borrow money from the Bank of France, that she saved the bank from utter ruin; and it was only the fact that the weak condition of the bank was not known that it was saved at all. The bank averages of bullion for the last four months, ending with 1839, were less than £3,000,000. In this country, in this age of daylight and telegraph and newspaper inquiries, such a concern would not stand for thirty hours.

HOW PANICS ARE RELIEVED IN ENGLAND.

It seems strange that the contractionists are making war upon the Secretary of the Treasury for issuing a portion of the forty-four million reserve, when the Bank of England has always adopted a similar policy to avert a crisis in Great Britain.

In the panic of 1857 the Bank of England increased its loans in violation of its charter in a very few days to the amount of \$60,000,000; and during the panic of 1856 to the amount of \$75,000,000. As the Secretary of the Treasury has only imitated in a small way the policy of the Bank of England, it is contemptible in the book economists to denounce him.

The Bank of England, when specie payments were resumed, held in its vaults 50 per cent. of gold to redeem its circulation; and yet, in order to maintain it, the bank was compelled to reduce its circulation in one year £7,000,000, and its discounts to merchants from nine to four million pounds, or over 50 per cent. A like contraction of credits in this country would bankrupt half the business men, East as well as West.

If England's trade and industry were paralyzed for two entire decades by this policy after her ample preparation, do the political economists think this country, with no preparation and no adequate gold supply, should imitate England's example now?

A monarchy may crush out the laboring and industrial classes, but a republic dare not and cannot.

The notes of the Bank of France are slightly depreciated, notwithstanding the fact that less than \$600,000,000 of these notes are in circulation, and the other important fact that she has \$800,000,000 of gold coin.

In this country there has never been a time when we had 20 per cent. of gold and silver to circulation. The percentage of specie to circulation in 1859, two years after the disastrous panic of 1857, was less than 15 per cent.; and the percentage of specie to circulation that year exceeded that of any year since 1842.

Since 1859 the legitimate demand for money has almost tripled, and our gold supply has fallen off one hundred and fifty millions. Specie payments are impossible; contraction is ruin.

CONCLUSION.

Let us put aside as unworthy of consideration the threadbare assertion that a wholesome money supply will demoralize the people by engendering speculation. This argument is based upon the theory that the business men of this country cannot be trusted with their own business.

Currency is credit. This credit Webster defined as the vital air of modern commerce. The West to-day, with untold wealth to be developed, stands pleading for this credit. With this credit confidence will be restored, trade will revive, industry will start again her busy fingers, and the car of progress roll onward as before. Without it, the solemn proclamation must go forth that we have reached the highest limit of our development.

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